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INFO RUEHBR/AMEMBASSY BRASILIA 7996
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WHA/EPSC FOR PMAIER; EEB/IFD/OIA PASS TO OPIC; TREASURY FOR
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SUBJECT: FOREIGN INVESTMENT CONTINUES TO BOOM IN COLOMBIA

REF: BOGOTA 2

11. (SBU) SUMMARY. According to preliminary figures Colombia attracted over USD 7.5 billion in foreign direct investment (FDI) in 2007 amid improvements in security, investment climate reforms and strong macroeconomic fundamentals. The total represents Colombia's second highest inflow of FDI in history and registered 18 percent higher than 2006. Foreign companies invested approximately USD 4.5 billion in the energy sector with the balance spread across the retail, financial, manufacturing, transport, and telecommunications sectors. New investment (vice acquisition of existing businesses) comprised USD 1 billion of the total--a 378 percent increase over 2006. END SUMMARY.

One for the Record Books

12. (U) The inflow of foreign direct investment in 2007 represents Colombia's second highest total ever, exceeded only by 2005's total of USD 10.2 billion which included SabMiller's USD 5.5 billion mega-purchase of the Bavaria brewery. As a percentage of GDP, Colombia's 2007 take ranked as second highest in Latin America after Chile. Investment remained strong in the energy sector at USD 4.5 billion, up from USD 3.1 billion in 2006, but increasingly spread across the economy with commercial, financial, and manufacturing sectors receiving a total of USD 2.3 billion--a 300 percent increase over 2006. The rise in FDI helped push total investment (foreign and domestic) from 13 percent of GDP in 2002 to 28 percent in 2007.

13. (U) The FDI also originated from a more diverse selection of countries than in previous years. Prominent foreign investors include French steelmaker Arcelor Mittal, Brazilian steelmakers Gerdau and Votorantim, French retail chains Casino and Cencosud, Mexican communications firm Telmex, Belgian construction firm Jan de Nul, Salvadoran construction company Poma, Chilean retailers Forus and Falabella, and Korean automaker Hyundai. The United States, however, remained Colombia's largest source of FDI with an accumulated stock of USD 7.7 billion, or 21 percent of Colombia's total since 1994. GE Money's USD 228 million purchase of a 39 percent stake in Banco Colpatria ranked among the highest profile non-energy sector U.S. investments in 2007 along with hotel chain Sonesta's USD 70 million investment in three new hotels.

(Re)Locating to Colombia

14. (SBU) Economic and security improvements in Colombia led several international companies, such as U.S. consumer paper firm Kimberly-Clark, U.S. agbiotech firm Monsanto, and Mexican petrochemical firm Mexichem, to select Colombia as their base for regional operations during the year. Likewise, the increasing contrast with the political and economic uncertainty in Venezuela has resulted in some companies shifting planned investments from Venezuela to Colombia. A representative of U.S. firm Mars told us that uncertainty in Venezuela and the positive investment climate in Colombia was key in the company's decision to build a USD 100 million processing plant, originally planned for Venezuela, in Barranquilla.

Outlook for Continued Investment Bright

5.(U) According to ProExport President Maria Pombo, final 2007 FDI figures could reach USD 8 billion. She underscored that, beyond total amounts, 2007 registered a significant increase in new "greenfield" investments, which normally create more new jobs than foreign acquisitions of existing companies. Pombo also said ProExport expects strong FDI inflows in both "greenfield" projects and acquisitions to continue in 2008. In addition to continued growth in partnerships between Colombian and foreign companies, she cited opportunities arising from GOC plans in 2008 for USD 2 billion in infrastructure concessions and privatizations of minority stakes in companies such as Banco Popular. Brownfield